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FM AMEMBASSY LILONGWE

TO RUEHC/SECSTATE WASHDC 0746

INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE

RUEHLO/AMEMBASSY LONDON 0398

C O N F I D E N T I A L SECTION 01 OF 02 LILONGWE 000507

SENSITIVE

SIPDIS

LONDON FOR AF WATCHER PETER LORD

E.O. 12958: DECL: 09/09/2019

TAGS: PREL ECON EAGR MI

SUBJECT: MALAWI DEPORTS "IMPERIALIST" TOBACCO EXECUTIVES

REF: A. LILONGWE 152

1B. LILONGWE 241

Classified By: Ambassador Peter Bodde for reasons 1.4 d and e.

11. (C) SUMMARY: On September 9, the GOM deported four senior executives from the three largest tobacco buying companies in Malawi, with less than 24-hour notice. Two of the companies have U.S. ownership. In a public statement, President Mutharika labeled the executives "imperialists" and "enemies of the state" who "have continuously exploited our tobacco farmers." Three deportees left the country on September 9; another was already out of the country. With the deportations, the GOM has fulfilled the President's previous threats resulting from dissatisfaction over low prices offered at tobacco auctions this season. A regional executive of one firm told us counsel had advised that that GOM was on solid legal ground, adding that the company wants "no conflict" with the government. The President's move shows an apparent disregard for potential backlash as the GOM seeks expanded foreign investment in the agriculture sector. End summary.

12. (SBU) On September 9, the GOM deported four senior executives from the three largest tobacco buying companies in Malawi. The four executives are UK and South African citizens -- Managing Director Collin Armstrong from Alliance One International Tobacco, Chief Executive Officer Kevin Stainton and leaf buying manager Bertie Van Der Merwe from Limbe Leaf Tobacco Company, and Chief Executive Officer Alex Mackay from Premium Tama Tobacco Company. Reportedly armed with automatic rifles, police appeared at company offices on September 8 and informed the executives of deportation order.

13. (C) At a press conference on Wednesday, President Mutharika explained that the officials were being deported for having exploited Malawi's farmers by colluding to offer prices below agreed minimums during the still ongoing tobacco auction season. Mutharika denounced the executives as "imperialists" who were "stealing" from the farmers. He characterized them as "enemies to the state" who were "destabilizing the country and trying to retard social and economic development." Mutharika extended a warning to buyers of other crops, explicitly mentioning cotton, adding that similar exploitation of Malawians would not be tolerated. While Mutharika was clearly playing to his political base, his harsh rhetoric will make his attempts to attract foreign direct investment, especially in Malawi's agricultural sector, a much harder sell.

14. (C) A regional executive from U.S.-owned Universal Tobacco, major stockholder of Limbe Leaf, told the Ambassador on September 9 that it flew its two employees out by company plane. He added that another deportee left on a commercial flight, while the fourth was already out of the country on medical leave. He told the Ambassador that the company's

counsel had advised that the GOM is on solid legal ground, and that any appeal would take two to three months. He said the firm wants "no conflict" and they intend to resolve the issue calmly over the months to come. The firm did not request, nor did we offer, any Embassy assistance. He added that the situation is the result of a misunderstanding over prices between the firms and the government's regulatory board. The company official also noted the lack of communication between the regulatory body and President's Mutharika's office.

¶ 15. (SBU) Chief Immigration Officer Elvis Thodi said in the press that the deportations result from "conduct not consistent with the development agenda of Malawi." The Immigration Act states that deportation may be made "in the interests of defence, public safety, public order, public morality or public health." The President had threatened for several months, including during the campaign for his May re-election, that he would not tolerate low prices for Malawian tobacco and that deportations were possible. Since auctions opened in March (ref A), the GOM has complained of the low prices being offered by buyers. With over two thirds of the season's tobacco sold average prices continue to be well below the set minimum levels.

¶ 16. (C) Comment: The deportation of the four tobacco company executives, amid continued government intervention in Malawi's economy, comes at a time when the GOM is seeking expanded foreign investment and donor assistance in the agricultural sector. A trained economist, President Mutharika blatantly disregarded the potential negative international reaction to his comments. While the GOM has

LILONGWE 00000507 002 OF 002

recently received considerable and deserved praise for conducting free and fair elections, the performance of the Mutharika government since its re-election gives us serious concern. Continued inappropriate government intervention in the economy, including maintaining an artificially over-valued currency, apparent delays in planned local elections, and totally inappropriate action toward foreign investors for not paying mandated minimum prices for agricultural commodities all show a disturbing trend line. Post will raise our concern in our regular interaction with senior GOM officials. We seek the Department's concurrence and support in delivering a consistent strong message regarding the troubling trajectory of the new Mutharika administration.

BODDE